



Midvaal Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2012

# MIDVAAL LOCAL MUNICIPALITY

(Registration number GT 422)  
Annual Financial Statements for the year ended 30 June 2012

## General Information

<b>Legal form of entity</b>	Local Municipality
<b>Legislation governing the municipality's operations</b>	MFMA (No. 56 of 2003)
<b>Executive Mayor</b>	T K Nast
<b>Executive Mayoral Committee</b>	C P Hartman B Baloyi P D Pretorius L S Botsoere M Hack
<b>Grading of local authority</b>	Grade 3 Local Municipality
<b>Chief Finance Officer (CFO)</b>	G W Van Niekerk
<b>Registered office</b>	Civic Centre C/o Junius & Mitchell streets Meyerton 1960
<b>Accounting Officer</b>	A S A de Klerk
<b>Postal address</b>	P O Box 9 Meyerton Gauteng 1960
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor-General

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### **Abbreviations**

DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Auditing Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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### Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the Council sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 4 to 40, have been prepared on the going concern basis.



**Accounting Officer  
Municipal Manager**

Meyerton

31 August 2012

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**Statement of Financial Position**

Figures in Rand	Note(s)	2012	2011
<b>Assets</b>			
Current Assets			
Inventories	5	7,495,010	5,798,274
Other receivables	6	6,285,521	6,112,218
VAT receivable	7	16,881,627	8,543,789
Consumer debtors	8	72,746,752	72,050,690
Cash and cash equivalents	9	5,350,276	4,710,916
		<b>108,759,186</b>	<b>97,215,887</b>
Non-Current Assets			
Investment property	2	30,513,000	30,513,000
Property, plant and equipment	3	2,032,621,421	2,066,638,764
		<b>2,063,134,421</b>	<b>2,097,151,764</b>
<b>TOTAL ASSETS</b>		<b>2,171,893,607</b>	<b>2,194,367,651</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	10	2,169,923	1,678,411
Payables from exchange transactions	14	79,695,803	79,118,679
Consumer deposits	15	8,892,677	8,067,353
Unspent conditional grants and receipts	11	-	4,245,506
Provisions	12	23,252,887	20,717,638
External loans	13	7,667,380	8,543,451
		<b>121,678,670</b>	<b>122,371,038</b>
Non-Current Liabilities			
Finance lease obligation	10	8,497,104	8,619,202
External loans	13	108,820,720	116,486,037
		<b>117,317,824</b>	<b>125,105,239</b>
<b>TOTAL LIABILITIES</b>		<b>238,996,494</b>	<b>247,476,277</b>
<b>NET ASSETS</b>		<b>1,932,897,113</b>	<b>1,946,891,374</b>
<b>Net Assets</b>			
Accumulated surplus		1,932,897,113	1,946,891,374

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## Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
<b>Revenue</b>			
Property rates	17	90,132,840	72,804,779
Service charges	18	281,731,089	238,091,530
Rental of facilities and equipment		1,534,595	534,040
Fines		9,763,582	10,440,424
Government grants & subsidies	19	93,766,933	73,086,612
Developers contributions		232,173	2,828,447
Public donations		3,837,377	142,131,705
Other income		61,660,426	60,455,225
Interest received - Investments	24	1,157,217	774,806
Interest received - outstanding debtors	24	7,687,719	6,820,180
<b>Total Revenue</b>		<b>551,503,951</b>	<b>607,967,748</b>
<b>Expenditure</b>			
Employee related costs	21	(126,747,989)	(120,890,888)
Remuneration of councillors	22	(7,430,429)	(5,232,599)
Impairment loss on assets		(850,008)	(17,378,961)
Depreciation and amortisation	25	(75,014,122)	(95,074,243)
Finance costs	26	(13,987,566)	(16,124,755)
Debt impairment	23	(25,525,249)	(24,802,470)
Repairs and maintenance		(29,225,226)	(27,426,597)
Bulk purchases	29	(199,877,869)	(157,135,590)
Contracted services	28	(45,058,200)	(43,687,912)
General expenses	20	(41,781,554)	(42,448,475)
<b>Total Expenditure</b>		<b>(565,498,212)</b>	<b>(550,202,490)</b>
<b>(Deficit) surplus for the year</b>		<b>(13,994,261)</b>	<b>57,765,258</b>

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2010</b>	<b>1,886,842,198</b>	<b>1,886,842,198</b>
Changes in net assets	(3,762,000)	(3,762,000)
Correction of error	(3,762,000)	(3,762,000)
Net income (losses) recognised directly in net assets	57,765,258	57,765,258
Surplus/(Deficit) for the year	54,003,258	54,003,258
Total recognised income and expenses for the year	608,554	608,554
Correction on liabilities	5,437,364	5,437,364
Correction on stores	60,049,176	60,049,176
<b>Total changes</b>	<b>1,946,891,374</b>	<b>1,946,891,374</b>
<b>Balance at 01 July 2011</b>		
Changes in net assets	(13,994,261)	(13,994,261)
Surplus/(Deficit) for the year	(13,994,261)	(13,994,261)
<b>Total changes</b>	<b>1,932,897,113</b>	<b>1,932,897,113</b>
<b>Balance at 30 June 2012</b>		

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## Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from ratepayers, government and other		162,115,250	200,962,599
Cash received from services/ charges		296,791,594	205,880,139
Interest income		8,844,936	3,713,046
		<b>467,751,780</b>	<b>410,555,784</b>
<b>Payments</b>			
Cash paid to suppliers & employees		(403,106,091)	(352,946,913)
Finance costs		(13,987,566)	(13,978,891)
		<b>(417,093,657)</b>	<b>(366,925,804)</b>
<b>Net cash flows from operating activities</b>	<b>30</b>	<b>50,658,123</b>	<b>43,629,980</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(42,456,781)	(40,959,069)
Proceeds from sale of property, plant and equipment	3	609,993	856,582
<b>Net cash flows from investing activities</b>		<b>(41,846,788)</b>	<b>(40,102,487)</b>
<b>Cash flows from financing activities</b>			
Movement in external loans		(8,541,388)	(3,863,412)
Finance lease payments		369,414	2,526,793
<b>Net cash flows from financing activities</b>		<b>(8,171,974)</b>	<b>(1,336,619)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>639,361</b>	<b>2,190,874</b>
Cash and cash equivalents at the beginning of the year		4,710,916	1,184,123
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>5,350,276</b>	<b>4,710,916</b>



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## Accounting Policies

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation of currency

These annual financial statements are presented in South African Rand.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. These judgements and sources of estimation uncertainty have been covered in the relevant notes.

#### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including uncontrollable ageing, together with economic factors such as inflation.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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## Accounting Policies

### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Property, plant and equipment is initially measured at cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and Buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses which is only applicable on the completion of the valuation roll which is assessed every 4 years..

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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## **Accounting Policies**

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### **1.4 Property, plant and equipment (continued)**

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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## Accounting Policies

### 1.4 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life in years
Infrastructure	
• Roads and paving	10 - 30
• Electricity	20 - 30
• Water	15 - 20
• Sewerage	15 - 20
• Landfill site	17
Community	
• Buildings	30
• Recreational Facilities	20 - 30
• Security	5
Other property, plant and equipment	
• Buildings	30
• Specialist vehicles	10
• Other vehicles	5
• Furniture and fittings	7
• Vehicles	5
• Bins and containers	5
• Office equipment	3-7
Heritage	
• Museums & other collectables	indefinite

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.5 Intangible assets

Intangible assets are initially recognised at cost.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

## **Accounting Policies**

### **1.6 Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### **Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

#### **Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

#### **Discount rate**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### **Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

## **Accounting Policies**

### **1.7 Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### **Identification**

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

#### **Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### **1.8 Financial instruments**

#### **Classification**

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

## **Accounting Policies**

### **1.8 Financial instruments (continued)**

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

#### **Initial recognition and measurement**

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

#### **Subsequent measurement**

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### **Impairment of financial assets**

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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## **Accounting Policies**

### **1.8 Financial instruments (continued)**

#### **Receivables from exchange transactions**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### **Payables from exchange transactions**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### **Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

### **1.9 Inventories**

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.



## **Accounting Policies**

### **1.9 Inventories (continued)**

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **1.10 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised to the cost of that asset unless it is inappropriate to do so.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.6 and 1.7. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods are periods that exceed 3 months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.11 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

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## **Accounting Policies**

### **1.12 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

### **1.13 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### **Operating leases - the municipality as lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Income for leases is disclosed under revenue in statement of financial performance.

### **1.14 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Sale of goods**

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## **Accounting Policies**

### **1.14 Revenue from exchange transactions (continued)**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

#### **Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

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## **Accounting Policies**

### **1.14 Revenue from exchange transactions (continued)**

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

### **1.15 Revenue from non-exchange transactions**

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

#### **Rates, including collection charges and penalty interest**

Revenue from rates, including collection charges and penalty interest, is recognised when:

- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are done by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed.

#### **Fines**

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

### **1.16 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

### **1.17 Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

## **Accounting Policies**

### **1.17 Irregular expenditure (continued)**

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### **1.18 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.19 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.20 Offsetting**

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

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## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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### 2. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Vacant land	30,513,000	-	30,513,000	30,513,000	-	30,513,000

#### Reconciliation of investment property - 2012

	Opening balance	Additions	Disposals	Total
Vacant land	30,513,000	-	-	30,513,000

#### Reconciliation of investment property - 2011

	Opening balance	Additions	Disposals	Total
Vacant land	30,513,000	-	-	30,513,000

#### Other disclosures

Comparative figures have been adjusted.

The transfers represent land and properties identified as Investment Property which were transferred from Property, plant and equipment to Investment property.

At reporting date there are no cumulative fair value changes in surplus or deficit for Investment properties.

There are no contractual obligations to purchase, construct or develop Investment property or for repairs, maintenance or enhancements.

The estimated fair value of Investment property at year end is R80 998 000 based on the last valuation roll. Management cannot assess the fair value at each period end.

The values are determined in-house by the Municipal valuer who is a registered professional valuer with the South African council for the property valuers profession. Registration No 81/0608207

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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### 3. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	21,241,940	-	21,241,940	21,241,940	-	21,241,940
Infrastructure	2,315,444,828	(414,671,347)	1,900,773,481	2,286,657,619	(347,014,111)	1,939,643,508
Community	97,069,729	(10,529,195)	86,540,534	106,856,428	(25,482,675)	81,373,753
Other property, plant and equipment	43,992,740	(27,684,645)	16,308,095	39,498,728	(24,469,545)	15,029,183
Capitalised leased Assets	9,089,373	(1,332,002)	7,757,371	9,524,129	(173,749)	9,350,380
<b>Total</b>	<b>2,486,838,610</b>	<b>(454,217,189)</b>	<b>2,032,621,421</b>	<b>2,463,778,844</b>	<b>(397,140,080)</b>	<b>2,066,638,764</b>

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## 3. Property, plant and equipment (continued)

### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Work in progress	Disposals	Depreciation	Impairment loss	Total
Land	21,241,940	-	-	-	-	-	21,241,940
Infrastructure	1,939,643,508	21,609,413	7,177,797	-	(66,807,229)	(850,008)	1,900,773,481
Community	81,373,753	2,654,849	4,937,414	-	(2,425,482)	-	86,540,534
Other property, plant and equipment	15,029,183	6,077,308	-	(264,894)	(4,533,502)	-	16,308,095
Capitalised leased Assets	9,350,380	-	-	(345,099)	(1,247,910)	-	7,757,371
	<b>2,066,638,764</b>	<b>30,341,570</b>	<b>12,115,211</b>	<b>(609,993)</b>	<b>(75,014,123)</b>	<b>(850,008)</b>	<b>2,032,621,421</b>

### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Work in progress	Disposals	Depreciation	Impairment loss	Total
Land	21,241,940	-	-	-	-	-	21,241,940
Infrastructure	1,870,256,419	148,478,328	7,886,803	-	(86,978,042)	-	1,939,643,508
Community	70,032,750	29,085,157	2,367,351	-	(2,732,544)	(17,378,961)	81,373,753
Other property, plant and equipment	17,160,871	3,200,959	-	(142,738)	(5,189,909)	-	15,029,183
Capitalised leased Assets	-	9,524,129	-	-	(173,749)	-	9,350,380
	<b>1,978,691,980</b>	<b>190,288,573</b>	<b>10,254,154</b>	<b>(142,738)</b>	<b>(95,074,244)</b>	<b>(17,378,961)</b>	<b>2,066,638,764</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## 4. Employee benefit obligations

### Post-Retirement Medical Aid Plan

Midvaal operates on 4 accredited medical aid schemes, namely Hosmed, Key Health, Bonitas and LA Health. Pensioners continue on the option they belonged to on the day of their retirement.

### Pension benefits



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### 4. Employee benefit obligations (continued)

Council and employees contribute towards the under-mentioned Pension Funds whose operations are subject to the Pension Fund Act, 1956. Although a request was sent to the funds, only some actuarial valuations were received to assess whether the funds are in a sound financial position. Therefore a contingent liability may exist which is undisclosed. Management are of the opinion that the contingent liability will not be of a material amount.

The Council subscribes to the following pension funds:

Municipal Gratuity Fund  
Municipal Employees Pension Fund  
Joint Municipal Employees Pension Fund  
Germiston Municipal Retirement Fund  
Old Mutual Sala Pension Fund  
National Fund For Municipal Workers  
SAMWU National Provident Fund  
Councillors Pension Fund

### Germiston defined benefit fund

The fund does not submit their financial statements to council, as a result of this, council cannot provide a future liability.

### 5. Inventories

Maintenance materials	7,081,143	5,437,363
Water	303,608	215,733
Fuel (Diesel, Petrol)	110,259	145,178
	<b>7,495,010</b>	<b>5,798,274</b>

### 6. Other receivables

Other debtors	5,528,744	6,094,484
Study loans	9,979	16,976
SARS refund	252,555	-
Rental	493,636	-
Traffic offences employees	607	758
	<b>6,285,521</b>	<b>6,112,218</b>

### 7. VAT receivable

VAT	16,881,627	8,543,789
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### 8. Consumer debtors

<b>Gross balances</b>		
Rates	24,943,323	19,605,098
Electricity	15,197,159	14,999,703
Water	26,454,203	23,676,168
Sewerage	10,812,621	11,608,184
Refuse	8,492,029	8,675,105
Other	38,469,157	35,010,772
	<b>124,368,492</b>	<b>113,575,030</b>

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**8. Consumer debtors (continued)**

**Less: Provision for debt impairment**

Rates	(10,353,247)	(10,362,075)
Electricity	(6,307,898)	(7,927,941)
Water	(10,980,370)	(12,513,798)
Sewerage	(4,488,004)	(6,135,388)
Refuse	(3,524,794)	(4,585,138)
Other	(15,967,427)	-
	<b>(51,621,740)</b>	<b>(41,524,340)</b>

**Net balance**

Rates	14,590,076	9,243,023
Electricity	8,889,261	7,071,762
Water	15,473,833	11,162,370
Sewerage	6,324,617	5,472,796
Refuse	4,967,235	4,089,967
Other	22,501,730	35,010,772
	<b>72,746,752</b>	<b>72,050,690</b>

**Rates**

Current (0 -30 days)	5,667,448	2,211,450
31 - 60 days	1,739,638	623,685
61 - 90 days	1,261,226	400,359
91 - 120 days	1,101,952	334,136
121 - 365 days	1,021,958	271,041
> 365 days	3,797,854	5,402,352
	<b>14,590,076</b>	<b>9,243,023</b>

**Electricity**

Current (0 -30 days)	6,840,775	3,507,022
31 - 60 days	648,639	473,797
61 - 90 days	580,485	250,344
91 - 120 days	473,176	128,098
121 - 365 days	298,835	275,791
> 365 days	47,351	2,436,710
	<b>8,889,261</b>	<b>7,071,762</b>

**Water**

Current (0 -30 days)	8,448,422	3,134,638
31 - 60 days	2,487,014	1,061,592
61 - 90 days	1,300,386	791,453
91 - 120 days	1,024,116	442,720
121 - 365 days	1,121,439	385,313
> 365 days	1,092,456	5,346,654
	<b>15,473,833</b>	<b>11,162,370</b>

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<b>8. Consumer debtors (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	1,850,382	876,232
31 - 60 days	599,841	293,926
61 - 90 days	520,453	233,428
91 - 120 days	455,167	209,998
121 - 365 days	434,500	192,053
> 365 days	2,464,274	3,667,159
	<b>6,324,617</b>	<b>5,472,796</b>
<b>Refuse</b>		
Current (0 -30 days)	1,464,182	788,549
31 - 60 days	560,075	252,818
61 - 90 days	632,377	246,021
91 - 120 days	528,761	188,354
121 - 365 days	401,035	175,998
> 365 days	1,380,805	2,438,227
	<b>4,967,235</b>	<b>4,089,967</b>
<b>Other</b>		
Current (0 -30 days)	2,851,993	3,492,350
31 - 60 days	1,369,036	700,856
61 - 90 days	1,507,757	1,535,044
91 - 120 days	1,309,212	1,234,044
121 - 365 days	1,492,652	1,258,354
> 365 days	13,971,080	26,790,124
	<b>22,501,730</b>	<b>35,010,772</b>
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	(41,524,340)	(29,259,137)
Contributions to provision	(22,990,000)	(24,802,470)
Debt impairment written off against provision	12,892,600	12,537,267
	<b>(51,621,740)</b>	<b>(41,524,340)</b>

## 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2,956,931	4,365,886
Short-term deposits	2,000,000	-
Other cash and cash equivalents	393,345	345,030
	<b>5,350,276</b>	<b>4,710,916</b>

Current Account (Primary bank account)

ABSA Bank Ltd - Public Gauteng East Branch - Account Number 405 320 3845.

Current Account (Traffic fines)

First National Bank - Meyerton Branch - Account Number 620 8373 4262.

Investment Account (Short term deposit)

Nedbank Ltd - Eastern Gauteng Branch - Account Number 03 / 7288516210 / 000165

**Guarantees held in lieu of Electricity and Water deposits**

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<b>9. Cash and cash equivalents (continued)</b>		
Sedibeng breweries	7,109,000	7,109,000
Other guarantees	261,100	261,100
	<b>7,370,100</b>	<b>7,370,100</b>

### 10. Finance lease obligation

<b>Minimum lease payments due</b>		
- within one year	3,073,344	2,536,855
- in second to fifth year inclusive	9,910,776	10,422,683
	12,984,120	12,959,538
less: future finance charges	(2,317,093)	(2,661,925)
<b>Present value of minimum lease payments</b>	<b>10,667,027</b>	<b>10,297,613</b>
 Non-current liabilities	 8,497,104	 8,619,202
Current liabilities	2,169,923	1,678,411
	<b>10,667,027</b>	<b>10,297,613</b>

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9% (2011: 10%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

### 11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

#### Unspent conditional grants and receipts

Sedibeng district water	-	3,006,607
District grants	-	197,615
Finance management grants	-	806,097
Bontle ke botho cleaning campaign	-	235,187
	-	<b>4,245,506</b>

#### Movement during the year

Balance at the beginning of the year	4,245,506	7,739,200
Income recognition during the year	(4,245,506)	(3,493,694)
	-	<b>4,245,506</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance have been recognised. The grouping of current balances and comparatives have been restated to comply with the National Budget Regulation format.

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2012                      2011

### 12. Provisions

#### Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	20,717,638	2,535,249	23,252,887

#### Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Environmental rehabilitation	1,078,492	19,639,146	20,717,638

### 13. External loans

The loans are repayable in 6 monthly installments of R10 495 194 each over a period between 10 and 60 months. Interest is charged at rates varying between 6.75% and 15.26%.

The loan is secured by various assets.

Opening balance	116,488,089	125,031,541
Less: Current portion transferred to current liabilities	(7,667,377)	(8,543,451)
	<b>108,820,712</b>	<b>116,488,089</b>

### 14. Payables from exchange transactions

Trade payables	54,664,333	50,701,849
Payments received in advance - contract in process	12,955,350	12,266,404
Other payables	3,779,791	7,325,183
Retentions	1,463,934	1,779,090
Accrued leave pay	6,212,841	6,620,627
Deposits received	619,554	425,526
	<b>79,695,803</b>	<b>79,118,679</b>

The leave pay provision relates to vested leave pay to which employees may become entitled to upon leaving the employment of the municipality. The provision arises as employees render a service that increases their entitlement to future compensated leave. The provision is utilised when employees who are entitled to leave pay, leave the employ of the municipality or when the accrued leave due to an employee is utilised.

### 15. Consumer deposits

Consumer deposits - Elec, water & refuse	8,892,677	8,067,353
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## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
<b>16. Revenue</b>		
Property rates	90,132,840	72,804,779
Service charges	281,731,089	238,091,530
Rental of facilities & equipment	1,534,595	534,040
Fines	9,763,582	10,440,424
Government grants & subsidies	93,766,933	73,086,612
Developers contributions	232,173	2,828,447
Public donations	3,837,377	142,131,705
	<b>480,998,589</b>	<b>539,917,537</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Service charges	281,731,089	238,091,530
Rental of facilities & equipment	1,534,595	534,040
	<b>283,265,684</b>	<b>238,625,570</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

<b>Taxation revenue</b>		
Property rates	90,132,840	72,804,779
Fines	9,763,582	10,440,424
<b>Transfer revenue</b>		
Levies	93,766,933	73,086,612
Developers contributions	232,173	2,828,447
Public donations	3,837,377	142,131,705
	<b>197,732,905</b>	<b>301,291,967</b>

## 17. Property rates

**Rates received**

Residential	64,084,992	54,530,469
Commercial	22,926,839	14,697,339
State	3,121,009	3,576,971
	<b>90,132,840</b>	<b>72,804,779</b>

**Valuations (Amounts R'000)**

Residential	32,049,427	9,069,088
Commercial	2,412,865	1,132,242
State	4,065	344,152
Municipal	211,485	108,780
	<b>34,677,842</b>	<b>10,654,262</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2011. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.00998 (2011: R0.01395) is applied to property valuations to determine assessment rates. Rebates of 47% are granted to improved residential properties amounting to R31 185 601.

The new general valuation was implemented on 01 July 2011.

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Figures in Rand	2012	2011
<b>18. Service charges</b>		
Sale of electricity	142,683,921	114,733,762
Sale of water	99,078,372	86,529,523
Sewerage and sanitation charges	22,274,436	20,524,280
Refuse removal	17,694,360	16,303,965
	<b>281,731,089</b>	<b>238,091,530</b>
<b>19. Government grants and subsidies</b>		
Government grants	6,376,141	2,668,501
Municipal system infrastructure grants	2,050,000	2,000,000
Municipal infrastructure grants	22,361,678	17,951,920
Provincial government	8,638,248	9,452,177
Department of mineral and energy	2,600,000	-
Equitable share	42,755,000	36,392,000
Financial management grant	2,732,469	4,622,014
Provincial health subsidies	6,253,397	-
	<b>93,766,933</b>	<b>73,086,612</b>

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Figures in Rand	2012	2011
<b>20. General expenses</b>		
Advertising	719,084	1,198,471
Assets expensed	855,129	357,141
Auditors remuneration	1,970,009	1,348,264
Bank charges	1,092,414	1,104,431
Community development	2,064,828	-
Computer expenses	288,126	186,200
Consulting and professional fees	1,586,651	1,490,366
Consumables	1,260,853	1,375,354
Convention bureau	22,274	15,959
New Service Connections	2,286,528	2,111,694
Donations	224,666	79,264
Entertainment	277,442	630,534
Rental	7,247,346	6,421,951
Services to informal settlements	1,982,271	1,703,669
Valuation roll	1,933,908	1,768,501
Municipal Services	3,235,082	5,099,070
Fuel	4,968,003	3,859,953
Contribution erwat	-	5,700,000
Gifts	57,933	-
Insurance	1,766,138	1,762,911
Magazines, books and periodicals	154,252	195,625
Medical expenses	5,633	5,378
Motor vehicle expenses	194,034	150,764
Packaging	67,943	130
Pest control	-	2,324
Postage and courier	1,004,197	886,384
Printing and stationery	936,168	881,444
Protective clothing	961,168	774,990
Secretarial fees	378,878	408,749
Subscriptions and membership fees	356,747	663,905
Telephone and fax	1,145,941	1,051,672
Training	319,784	217,683
Travel - local	1,075,100	649,519
Other expenses	1,343,024	346,175
	<b>41,781,554</b>	<b>42,448,475</b>



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Figures in Rand	2012	2011
<b>21. Employee related costs</b>		
Basic	80,402,012	75,217,286
Medical aid - company contributions	6,827,900	6,344,910
UIF	725,920	698,855
Other payroll levies	28,388	27,889
Pension costs	16,770,107	16,107,311
Leave pay	346,727	984,152
Travel, motor car, accommodation, subsistence and other allowances	5,472,607	5,222,716
Overtime payments	5,271,580	6,370,407
Acting allowances	1,933,822	1,628,279
Housing benefits and allowances	831,096	777,463
Cell phone allowance	920,252	880,468
Group insurance	251,307	251,005
Leave bonus	6,966,271	6,380,147
	<b>126,747,989</b>	<b>120,890,888</b>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	946,082	892,322
Car Allowance	120,000	120,000
Performance Bonus	163,875	150,984
Contributions to UIF, Medical and Pension Funds	142,959	128,110
	<b>1,372,916</b>	<b>1,291,416</b>
<b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	811,080	760,919
Car Allowance	72,000	72,000
Performance Bonuses	141,110	125,156
Contributions to UIF, Medical and Pension Funds	185,133	174,757
	<b>1,209,323</b>	<b>1,132,832</b>
<b>Management - Protection Services</b>		
Annual Remuneration	848,297	791,101
Car Allowance	30,000	30,000
Performance Bonuses	146,074	133,520
Contributions to UIF, Medical and Pension Funds	189,915	186,575
	<b>1,214,286</b>	<b>1,141,196</b>
<b>Management Technical Support</b>		
Annual Remuneration	758,746	732,769
Car Allowance	156,000	132,000
Performance Bonuses	143,434	132,425
Contributions to UIF, Medical and Pension Funds	153,466	142,907
	<b>1,211,646</b>	<b>1,140,101</b>
<b>Management - Corporate Services</b>		
Annual Remuneration	1,050,997	987,236
Car Allowance	60,000	60,000

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Figures in Rand	2012	2011
<b>21. Employee related costs (continued)</b>		
Performance Bonuses	152,641	146,514
Contributions to UIF, Medical and Pension Funds	13,547	13,547
	<b>1,277,185</b>	<b>1,207,297</b>
<b>Management - Community Services</b>		
Annual Remuneration	533,532	739,854
Car Allowance	52,000	78,000
Performance Bonuses	137,519	132,325
Contributions to UIF, Medical and Pension Funds	261,772	189,822
	<b>984,823</b>	<b>1,140,001</b>
<b>Management - Development Planning and Housing</b>		
Annual Remuneration	789,226	736,609
Car Allowance	144,000	144,000
Performance Bonuses	146,074	135,711
Contributions to UIF, Medical and Pension Funds	134,987	127,066
	<b>1,214,287</b>	<b>1,143,386</b>
<b>Management - Human Resources</b>		
Annual Remuneration	937,188	791,660
Car Allowance	60,000	60,000
Performance Bonuses	146,074	131,230
Contributions to UIF, Medical and Pension Funds	71,025	156,016
	<b>1,214,287</b>	<b>1,138,906</b>
<b>22. Remuneration of councillors</b>		
Councillors	7,430,429	5,232,599
<b>In-kind benefits</b>		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time employees. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has the use of a Council owned vehicle for official duties.		
<b>23. Debt impairment</b>		
Contributions to debt impairment allowance	25,525,249	24,802,470
<b>24. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	1,157,217	774,806
Interest received - assessment rates	7,687,719	6,820,180
	<b>8,844,936</b>	<b>7,594,986</b>

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Figures in Rand	2012	2011
<b>25. Depreciation and amortisation</b>		
Property, plant and equipment	75,014,122	95,074,243
<b>26. Finance costs</b>		
Non-current borrowings	11,452,317	13,978,891
Interest - landfill site provision	2,535,249	2,145,864
	<b>13,987,566</b>	<b>16,124,755</b>
<b>27. Auditors' remuneration</b>		
Fees	1,970,009	1,348,264
<b>28. Contracted services</b>		
Specialist Services	45,058,200	43,687,912
<b>29. Bulk purchases</b>		
Electricity	138,950,910	102,651,692
Water	60,926,959	54,483,898
	<b>199,877,869</b>	<b>157,135,590</b>
<b>30. Cash generated from operations</b>		
(Deficit) surplus	(13,994,261)	57,765,258
<b>Adjustments for:</b>		
Depreciation and amortisation	75,014,122	(95,074,244)
Fair value adjustments	-	29,848,661
Interest income	-	(13,978,891)
Dividends received	-	3,713,046
Debt impairment	25,525,249	(12,265,203)
Movements in provisions	2,535,249	19,639,146
Impairment loss	850,001	-
<b>Changes in working capital:</b>		
Inventories	(1,696,736)	5,601,898
Other receivables	(173,303)	-
Consumer debtors	(26,221,311)	3,325,735
Payables from exchange transactions	577,133	17,302,804
VAT	(8,337,838)	-
Unspent conditional grants and receipts	(4,245,506)	3,493,693
Consumer deposits	825,324	707,576
Government grant reserve	-	11,056,624
Capital replacement reserve	-	17,384,855
Donations and public contributions reserve	-	(4,890,978)
	<b>50,658,123</b>	<b>43,629,980</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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### 31. Contingencies

The following claims were instituted against Council:

A property sold which is claimed not suitable for development. Amounting to R2 500 000.

Personnel relating to possible unfair dismissals. Amounting to R5 000 000.

Possible assault. Amounting to R500 000.

Public injury. Amounting to R160 000.

### 32. Related parties

#### Relationships

Close family member of key management

None

Joint venture of key management

None

Associate of close family member of key management

None

Members of key management

Managements remuneration- Refer to Employee Related Costs and Remuneration of Councillors notes.

### 33. Prior period errors

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Investment property	(3,762,000)	(3,762,000)
Opening Accumulated Surplus or Deficit	3,762,000	3,762,000

### 34. Risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and borrowing facilities are monitored.

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one institution.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the council. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

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## Notes to the Annual Financial Statements

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### 35. Going concern

We draw attention to the fact that at 30 June 2012, the municipality had an accumulated surplus of R1 932 897 113 and that the municipality's total assets exceed its liabilities by R1 932 897 113.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Council incurred a net loss of R13 994 261 during the year ended 30 June 2012 and the current liabilities exceeded its current asset by R12 922 484.

### 36. Events after the reporting date

No reportable events occurred after the reporting date which might have an influence on these financial statements.

### 37. In-kind donations and assistance

The Municipality received the following in-kind donations and assistance:

- ∞ Gauteng Provincial Treasury has provided assistance in the preparation of the 2011/2012 Annual financial statements by deploying an official to the municipality.

### 38. Additional disclosure in terms of Municipal Finance Management Act

#### Audit fees

Amount paid - current year	1,970,009	1,348,264
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#### PAYE and UIF

Amount paid - current year	16,167,729	16,103,392
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#### Pension and Medical Aid Deductions

Amount paid - current year - Pension	23,012,993	21,646,934
Amount paid - current year - Medical	11,030,954	10,194,311
	<b>34,043,947</b>	<b>31,841,245</b>

#### VAT

VAT receivable	16,881,627	8,543,789
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VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

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2011

### 38. Additional disclosure in terms of Municipal Finance Management Act (continued)

	2012 - Outstanding less than 90 days R	2011 - Outstanding more than 90 days R	Total R
ML Modikeng	-	1,142	1,142
MGI Ngcobo	-	1,434	1,434
MM Radebe	-	1,559	1,559
MJ Tsotetsi	-	64	64
MZP Boland	-	558	558
	-	<b>4,757</b>	<b>4,757</b>

### 39. Utilisation of Long-term liabilities reconciliation

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 40. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the adjudication committee and council and includes a note to the annual financial statements.

The majority of items mentioned had to be addressed in short notice and the response times did not allow for the complete procurement to be followed.

The balance of items were due to emergency circumstances or uneconomic benefits for the municipality.

Order class: Emergency	2 904 731	1 072 070
Order class: Sole suppliers	2 705 737	5 486 503
Order class: Workshop repairs(Strip & Quote)	<u>970 936</u>	<u>2 319 829</u>
	<b><u>6 581 404</u></b>	<b><u>8 878 402</u></b>

## MIDVAAL LOCAL MUNICIPALITY

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#### 41. Unaccounted water and electricity

##### ELECTRICITY

Year	Units Purchased	Units Sold	Loss in Distribution	Percentage loss
2005/2006	170 460 816	150 979 829	21 480 987	12.6%
2006/2007	182 669 060	170 751 965	11 917 095	6.5%
2007/2008	193 992 927	165 588 597	28 871 597	14.88%
2008/2009	178 912 776	164 835 018	14 077 758	7.86%
2009/2010	161 926 571	173 965 761	-12 039 190	0.00% (Note 1)
2010/2011	222 479 777	211 010 461	11 469 316	5.15%
2011/2012	237 581 613	203 755 275	33 826 337	14.23%

##### WATER

Year	Units Purchased	Units Sold	Loss in Distribution	Percentage Loss
2005/2006	9 081 412	6 540 426	2 540 986	27.98%
2006/2007	10 293 574	7 440 042	2 853 532	27.72%
2007/2008	11 546 379	7 782 265	3 764 114	32.59%
2008/2009	10 908 271	8 096 934	2 811 337	25.77%
2009/2010	12 053 525	8 896 469	3 157 056	26.19%
2010/2011	13 308 580	10 194 720	3 113 860	23.39%
2011/2012	13 501 294	10 190 654	3 310 640	24.52%

Note 1: The high volume in units sold were due to journal adjustments based on the correction of consumption by engineering services for certain customers.

# MIDVAAL LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2012

## 42. Statement of comparative and actual information

2012

### Financial Performance

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Property rates	96,500,000	96,500,000	96,500,000	90,132,840	6,367,160	93 %	93 %
Service charges	264,559,711	252,399,398	252,399,398	281,731,089	(29,331,691)	112 %	106 %
Investment revenue	800,000	800,000	800,000	1,157,217	(357,217)	145 %	145 %
Transfers recognised - operational	64,310,633	63,343,371	63,343,371	57,098,230	6,245,141	90 %	89 %
Other own revenue	72,921,013	101,467,480	101,467,480	80,646,686	20,820,794	79 %	111 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>499,091,357</b>	<b>514,510,249</b>	<b>514,510,249</b>	<b>510,766,062</b>	<b>3,744,187</b>	<b>99 %</b>	<b>102 %</b>
Employee costs	(142,187,730)	(132,479,101)	(132,479,101)	(126,747,989)	(5,731,112)	96 %	89 %
Remuneration of councillors	(6,710,064)	(7,778,703)	(7,778,703)	(7,430,429)	(348,274)	96 %	111 %
Debt impairment	(7,120,000)	(22,990,000)	(22,990,000)	(25,525,249)	2,535,249	111 %	359 %
Depreciation and asset impairment	(50,683,052)	(75,864,130)	(75,864,130)	(75,014,122)	(850,008)	99 %	148 %
Finance charges	(21,903,342)	(21,595,091)	(21,595,091)	(13,987,566)	(7,607,525)	65 %	64 %
Materials and bulk purchases	(165,576,812)	(192,000,000)	(192,000,000)	(199,877,869)	7,877,869	104 %	121 %
Other expenditure	(157,456,564)	(114,798,731)	(114,798,731)	(116,914,988)	2,116,257	102 %	74 %
<b>Total expenditure</b>	<b>(551,637,564)</b>	<b>(567,505,756)</b>	<b>(567,505,756)</b>	<b>(565,498,212)</b>	<b>(2,007,544)</b>	<b>100 %</b>	<b>103 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>(52,546,207)</b>	<b>(52,995,507)</b>	<b>(52,995,507)</b>	<b>(54,732,150)</b>	<b>1,736,643</b>	<b>103 %</b>	<b>104 %</b>



# MIDVAAL LOCAL MUNICIPALITY

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## 42. Statement of comparative and actual information (continued)

### Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	41,524,000	41,524,000	41,524,000	42,456,781	(932,781)	102 %	102 %
<b>Sources of capital funds</b>							
Transfers recognised - capital	39,074,000	39,074,000	39,074,000	42,250,456	(3,176,456)	108 %	108 %
Borrowing	2,450,000	2,450,000	2,450,000	206,325	2,243,675	8 %	8 %
<b>Total sources of capital funds</b>	<b>41,524,000</b>	<b>41,524,000</b>	<b>41,524,000</b>	<b>42,456,781</b>	<b>(932,781)</b>	<b>102 %</b>	<b>102 %</b>

### Cash flows

Net cash from (used) operating	50,658,122	50,658,122	50,658,122	50,658,123	(1)	100 %	100 %
Net cash from (used) investing	(41,846,788)	(41,846,788)	(41,846,788)	(41,846,788)	-	100 %	100 %
Net cash from (used) financing	(8,171,974)	(8,171,974)	(8,171,974)	(8,171,974)	-	100 %	100 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>639,360</b>	<b>639,360</b>	<b>639,360</b>	<b>639,361</b>	<b>(1)</b>	<b>100 %</b>	<b>100 %</b>
Cash and cash equivalents at the beginning of the year	4,710,916	4,710,916	4,710,916	4,710,916	-	100 %	100 %
<b>Cash and cash equivalents at year end</b>	<b>5,350,276</b>	<b>5,350,276</b>	<b>5,350,276</b>	<b>5,350,277</b>	<b>(1)</b>	<b>100 %</b>	<b>100 %</b>

# **MIDVAAL LOCAL MUNICIPALITY**

(Registration number GT 422)

Annual Financial Statements for the year ended 30 June 2012

**Midvaal Municipality (GT422)**  
**Appendix A**  
June 2012

**Schedule of external loans as at 30 June 2012**

Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012
		Rand	Rand	Rand	Rand
<b>External loans</b>					
Walkerville	L006/WD	30/06/2014	(126,558)	-	(36,754) (89,804)
Walkerville	L007/WD	31/12/2012	(112,719)	-	(72,357) (40,362)
Vaalmarina	L001/NM	30/06/2014	(541,779)	-	(157,339) (384,440)
Vaalmarina	L004/NM	31/12/2012	(267,187)	-	(171,512) (95,675)
Vaalmarina	L002/NM	30/06/2014	(43,924)	-	(12,756) (31,168)
Randvaal	L009/RV	31/12/2011	(28,214)	-	(28,214) -
Randvaal	L010/RV	31/12/2011	(22,963)	-	(22,963) -
Randvaal	L023/RV	30/06/2015	(402,440)	-	(81,821) (320,619)
Midvaal	L023/M	30/06/2020	(7,747,187)	-	(587,006) (7,160,181)
Midvaal	L022/M	30/06/2012	(1,465,664)	-	(1,465,664) -
Midvaal	L024/M	30/06/2017	(12,554,277)	-	(1,655,358) (10,898,919)
Midvaal	L025/M	30/06/2023	(34,112,384)	-	(1,501,318) (32,611,066)
Midvaal	L026/M	30/06/2023	(4,465,262)	-	(196,520) (4,268,742)
Midvaal	L027/M	30/06/2023	(11,726,904)	-	(516,112) (11,210,792)
Midvaal	L028/M	30/06/2023	(12,345,462)	-	(543,335) (11,802,127)
Midvaal	L029/M	31/12/2024	(14,745,298)	-	(419,808) (14,325,490)
Midvaal	L030/M	31/12/2029	(12,295,950)	-	(200,629) (12,095,321)
Midvaal	L031/M	31/12/2039	(1,456,289)	-	(6,914) (1,449,375)
Midvaal	L032/M	31/12/2024	(8,203,781)	-	(386,969) (7,816,812)
Midvaal	L033/M	31/12/2024	(1,298,573)	-	(36,705) (1,261,868)
Midvaal inca	MIDV-00-0001	30/09/2013	(1,066,674)	-	(441,346) (625,328)
<b>Total external loans</b>			<b>(125,029,489)</b>	<b>-</b>	<b>(8,541,400) (116,488,089)</b>

MIDVAAL LOCAL MUNICIPALITY  
APPENDIX B: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Accumulated Depreciation									
	Opening Balance 1-Jul-11	Adjusted Opening Balance 1-Jul-11	Additions	Work in Progress	Disposals	Closing Balance 30-Jun-12	Adjusted Opening Balance 1-Jul-11	Depreciation on disposals	Closing Balance 30-Jun-12	Carrying Value 30-Jun-12
Land and Buildings	21,241,940	21,241,940	0	0	0	21,241,940	0	0	0	21,241,940
Land	0	0	0	0	0	0	0	0	0	0
Buildings	21,241,940	21,241,940	0	0	0	21,241,940	0	0	0	21,241,940
Infrastructure	770,460,011	770,344,022	11,160,078	0	0	781,504,100	114,002,728	23,477,270	137,479,997	644,024,102
Roads & Bridges	933,284,953	933,284,953	394,737	6,118,079	0	939,797,768	131,529,285	31,653,109	163,182,395	776,615,374
Electricity Network	15,080,321	19,458,003	0	414,834	0	19,872,838	2,858,857	779,919	3,638,776	16,234,062
Fencing										
Footways / Kerbing /										
Paving / Carports	17,067,507	20,734,882	74,392	0	0	20,809,274	1,823,770	639,861	2,463,630	18,345,643
Security Systems	1,110,781	0	0	0	0	0	0	0	0	0
Sewer Network	296,875,649	296,875,648	9,420,013	400,752	0	306,696,413	32,367,548	5,954,340	38,321,888	268,374,525
Water Network	252,778,398	252,778,399	560,194	244,132	0	253,582,725	65,434,403	5,152,738	70,587,140	182,995,584
	2,286,657,618	2,293,475,907	21,609,413	7,177,797	0	2,322,263,117	348,016,591	67,657,236	415,673,826	1,906,589,291
Community Assets										
Cemeteries	320,489		0	0	0	0	0	0	0	0
Clinics	6,904,454	6,677,041	0	0	0	6,677,041	814,097	223,025	1,037,122	5,639,919
Community Centres	7,772,711	10,848,912	0	3,374,766	0	14,223,679	723,289	283,299	1,006,588	13,217,090
Housing	5,125,892	8,223,670	0	0	0	8,223,670	802,726	274,685	1,077,411	7,146,258
Landfill Sites	4,973,037		0	1,444,997	0	1,444,997	0	0	0	1,444,997
Cost to Rehabilitate Landfill	103,891	103,891	0	0	0	103,891	51,946	25,973	77,918	25,973
Libraries	8,461,364	6,004,360	1,728,932	0	0	7,733,292	483,128	204,563	687,691	7,045,601
Municipal Offices	38,867,930	33,508,534	361,325	75,000	0	33,944,859	2,379,660	832,060	3,211,720	30,733,139
Old Age Homes	287,004		0	0	0	0	0	0	0	0
Sport Facilities	15,330,693	14,305,106	163,463	42,650	0	14,511,218	1,370,568	475,625	1,846,193	12,665,025
Taxi Ranks	1,330,000	1,445,989	401,129		0	1,847,118	199,273	106,251	305,523	1,541,595
	89,477,466	81,117,502	2,654,849	4,937,414	0	88,709,764	6,824,686	2,425,481	9,250,167	79,459,598
	2,397,377,025	2,395,835,349	24,264,262	12,115,211	0	2,432,214,822	354,841,276	70,082,717	424,923,993	2,007,290,829

**MIDVAAL LOCAL MUNICIPALITY**  
**APPENDIX B: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012**

APPENDIX B MIDVAAL LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010	Accumulated Depreciation										Carrying Value
	Opening Balance 1-Jul-11	Adjusted Opening Balance 1-Jul-11	Additions	Work in Progress	Disposals	Closing Balance 30-Jun-12	Adjusted Opening Balance 1-Jul-11	Depreciation	Depreciation on disposals	Closing Balance 30-Jun-12	
Total brought forward	2,397,377,025	2,395,835,349	24,264,262	12,115,211	-	2,432,214,822	354,841,276	70,082,717	-	424,923,993	2,007,290,829
Other Assets											
Computer Equipment	2,401,989	2,406,091	1,088,276	0	75,440	3,418,928	1,581,910	477,840	54,543	2,005,207	1,413,721
Emergency Equipment	818,954	818,954	0	0	0	818,954	491,958	74,025	828	565,156	253,799
Furniture & Fittings	5,764,791	5,259,348	213,660	0	57,805	5,415,202	3,006,705	571,318	44,124	3,533,899	1,881,303
Machinery & Equipment	6,244,160	8,378,242	2,032,863	0	330,057	10,081,048	6,145,973	1,389,542	211,783	7,323,733	2,757,315
Motor vehicles	22,455,169	22,364,103	2,393,460	0	1,119,994	23,637,569	13,072,162	1,799,704	1,007,125	13,864,741	9,772,828
Refuse Containers	673,266	673,266	349,050	0	0	1,022,316	339,911	53,819	0	393,731	628,586
Tangibles: Software	138,921	138,921	0	0	0	138,921	95,551	23,893	-	119,443	19,478
Library Books	1,001,478	1,001,478	0	0	0	1,001,478	11,922	143,362	-	155,285	846,194
Finance Lease Assets											
Other Assets											
	39,498,728	41,040,405	6,077,308	0	1,583,296	45,534,417	24,746,092	4,533,504	1,318,402	27,961,194	17,573,222
	9,524,129	9,524,129	0	0	434,756	9,089,373	173,749	1,247,910	89,657	1,332,002	7,757,371
Total	2,446,399,882	2,446,399,882	30,341,570	12,115,211	2,018,052	2,486,838,611	379,761,117	75,864,131	1,408,059	454,217,189	2,032,621,422

	Cost/Revaluation						Accumulated Depreciation					
	Additions			Work in Progress			Disposals			Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	41,241,613	1,648,007	0	0	0	388,550	42,500,069	3,383,732	975,030	317,798	4,040,365	38,459,104
Finance and Admin	4,206,830	16,071	0	0	0	224,118	3,998,783	2,797,634	525,024	192,045	3,342,126	656,657
Planning and Development	20,194,687	170,073	0	0	0	1,345	20,363,416	2,886,272	810,175	359	3,696,087	16,667,328
Health	8,328,533	0	0	0	0	0	8,328,533	1,160,622	278,644	0	1,439,267	6,889,266
Community and Social Services	25,730,998	1,860,903	75,000	0	0	952	27,665,949	2,752,459	1,046,876	890	3,798,445	23,867,504
Sport and Recreation	21,284,141	507,997	1,489,598	0	0	272,957	22,987,579	3,627,652	886,215	181,816	4,352,250	18,635,328
Waste Water Management	21,502,507	2,592,804	788,673	0	0	120,591	24,551,393	5,300,336	1,552,188	114,581	6,793,860	17,813,431
Waste Management	297,616,184	9,127,314	1,473,911	0	0	266,915	308,420,003	32,889,322	23,300,765	240,607	142,254,072	269,446,349
Road Transport	780,975,971	12,252,145	0	0	0	0	782,961,292	118,668,188	5,515,383	0	72,350,978	650,707,130
Water	255,307,708	691,817	244,132	0	0	688,506	256,243,657	60,535,585	32,346,031	311,719	165,806,538	183,882,679
Electricity	938,441,221	924,162	6,116,079	0	0	73,118	944,814,955	133,758,448	1,536,796	68,463	6,738,159	779,006,417
Protection Services	28,254,112	79,884	1,927,819	0	0	0	30,188,897	5,269,825	1,536,796	0	686,680	23,450,538
Other	3,333,376	480,693	0	0	0	0	3,814,070	532,024	154,657	0	686,680	3,127,989
Total	2,446,395,882	30,341,570	12,116,211	0	0	2,018,052	2,466,836,611	379,761,117	75,014,122	1,408,059	454,217,190	2,032,621,421

**MIDVAAL LOCAL MUNICIPALITY**  
**APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012**

2011 Actual Income R	2011 Actual Expenditure R	2011 (Surplus)/ Deficit R	2012 Actual Income R	2012 Actual Expenditure R	2012 (Surplus)/ Deficit R
(2,158,351)	29,046,727	26,888,376	Executive & Council	31,522,550	26,706,221
(86,280,659)	34,389,492	(51,891,167)	Finance & Admin	50,515,992	(57,041,863)
(3,085,154)	15,117,047	12,031,893	Planning & Development	14,825,218	11,908,084
(5,543,843)	5,373,594	(170,249)	Health	4,687,905	287,693
(4,786,065)	8,298,212	3,512,147	Community & Social Services	9,990,182	5,246,952
(11,372,280)	31,563,962	20,191,682	Public Safety	33,303,591	21,086,686
(10,781,148)	16,402,692	5,621,544	Sport & Recreation	13,744,616	12,192,325
(2,553,107)	2,442,020	(111,087)	Environmental Protection	2,767,808	192,607
(97,903,316)	52,898,570	(45,004,746)	Waste Management	55,538,001	(17,443,693)
(43,144,683)	55,463,552	12,318,869	Road Transport	57,792,950	46,540,202
(133,915,957)	80,041,824	(53,874,133)	Water	88,467,183	(25,097,286)
(202,015,269)	181,224,875	(20,790,394)	Electricity	195,250,642	(16,464,632)
(3,075,005)	5,768,691	2,693,686	Engineering Administration	7,091,577	5,880,968
(606,614,837)	518,031,258	(88,583,579)	Sub Total	565,498,215	13,994,264

## APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>					
Property rates	91,059,093	96,500,000	(5,440,907)	(5.64)	
Service charges	234,957,870	252,399,398	(17,441,528)	(6.91)	Increase in electricity and water sales
Rental of facilities and equipment	1,534,595	900,000	634,595	70.51	Decrease in rental activities
Interest earned - external investments	1,157,217	800,000	357,217	44.65	Decrease in interest rates and in investments during the year
Interest earned - outstanding debtors	7,687,719	5,975,000	1,712,719	28.66	Increase in debtors
Government grants and subsidies	98,059,611	94,788,371	3,271,240	3.45	
Fines	9,763,582	11,020,000	(1,256,418)	(11.40)	
Other income	107,284,264	84,472,480	22,811,784	27.00	Increase income for tariff charges
Public contributions, donated/contributed PPE				100.00	
<b>Total Revenue</b>	<b>551,503,951</b>	<b>546,855,249</b>	<b>4,648,702</b>	<b>0.85</b>	
<b>EXPENDITURE</b>					
Executive & Council	31,522,550	35,197,758	(3,675,208)	(10.44)	Saving on stationery, marketing and contracted services
Finance & Admin	50,515,992	55,140,690	(4,624,698)	(9.39)	Additional contributions to provision of bad debt.
Planning & Development	14,825,218	15,181,468	(356,250)	(2.35)	Saving on salaries and legal expenses
Health	4,687,905	9,191,594	(4,503,689)	(49.00)	Saving on salaries and rental expenses
Community & Social Services	9,990,182	8,622,442	1,367,740	15.86	Saving on salaries and general expenses
Housing					
Public Safety	33,303,591	36,246,129	(2,942,538)	(8.12)	
Sport & Recreation	13,744,616	15,357,903	(1,613,287)	(10.50)	Saving on salaries and contracted services
Environmental Protection	2,767,808	3,003,884	(236,076)	(7.86)	Saving on salaries and general expenses
Waste Management	55,538,001	57,941,879	(2,403,878)	(4.15)	
Road Transport	57,792,950	56,509,447	1,283,503	2.27	
Water	88,467,183	97,228,406	(8,761,223)	(9.01)	
Electricity	195,250,642	167,714,013	27,536,629	16.42	Electricity purchases higher than expected
Engineering Administration	7,091,577	7,980,343	(888,766)	(11.14)	Saving on employee related costs
<b>Total Expenditure</b>	<b>565,498,215</b>	<b>565,315,956</b>	<b>182,259</b>	<b>0.03</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(13,994,264)</b>	<b>(18,460,707)</b>			



**MIDVAAL LOCAL MUNICIPALITY**  
**APPENDIX E(2): ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012**

	2012 Actual	2012 Budget	2012 Variance	2012 Variance	2012 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	%	(Explanations to be recorded)
Executive & Council	1,552,700	1,676,000	123,300		7.36	Saving on project.
Finance & Admin	16,071	20,000	3,929		19.64	Saving on project.
Planning & Development	170,073	175,000	4,927		2.82	
Community & Social Services	2,036,383	2,085,000	48,617		2.39	
Sport & Recreation	1,996,694	2,230,000	233,306		10.46	Saving on tractors bought
Engineering Admin	475,521	500,000	24,479		4.90	
Main Sewer	1,156,705	1,355,000	198,295		14.63	Savings on plant & equipment bought
Purification	8,000,122	8,032,000	31,878		0.40	
Solid Waste	4,814,474	5,545,000	730,526		13.17	Saving on plant & equipment bought
Roads	11,658,918	11,888,000	229,082		1.93	
Water	935,949	1,695,000	759,051		44.78	Saving on Water Meter Revenue Protection Programme
Electricity	7,042,241	3,750,000	(3,292,241)		(87.79)	Donation received, not budgeted for : Graceview Ext 3 & 4
Protection Services	2,600,930	2,830,000	229,070		8.09	Saving on vehicles bought
TOTAL	42,456,781	41,781,000	(675,781)		(1.62)	

MIDVAAL LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003  
FOR THE YEAR ENDED 30 JUNE 2012

Name of Grant	Name of organ of State or municipal entity	BUDGET	BAL B/F	Quarterly Receipts				Quarterly Expenditure				TOTAL		
				Sep-11	Dec-11	Mar-12	Jun-12	Sep-11	Dec-11	Mar-12	Jun-12			
CAPITAL														
MIG (Conditional)	National	21,945,000		5,204,000	9,385,000	7,356,000	0	21,945,000	162,800	4,990,285	5,204,872	11,587,043	21,945,000	
SEDIBENG (VEHICLE)	Sedibeng District Council	0		0	0	0	0	0	0	0	0	0	0	
DSCAR	Provincial	1,700,000	300,000	900,000	0	0	500,000	1,400,000	0	122,991	73,475	1,711,933	1,908,399	
SEDIBENG (PRINTER)	Sedibeng District Council	5,000,000		115,000	1,334,943	3,665,057	0	5,115,000	0	0	1,043,566	3,956,434	5,000,000	
DWARF	National	2,600,000		200,000	1,785,000	700,000	0	2,685,000	0	1,900,000	700,000	0	2,600,000	
DME	National	200,000		0	0	0	0	0	0	0	105,652	0	105,652	
		31,445,000	300,000	6,419,000	12,504,943	11,721,057	500,000	31,145,000	162,800	7,013,276	7,127,565	17,255,410	31,559,051	
OPERATIONAL														
EQUITABLE SHARE (Uncond)	National	44,378,000		18,491,000	14,793,000	11,095,000	0	44,379,000	11,094,500	11,094,500	11,094,500	11,094,500	44,378,000	
MSIG (Conditional)	National	800,000		800,000	0	0	0	800,000	26,054	187,239	144,633	11,316	369,242	
FMG (Conditional)	National	1,250,000		1,250,000	0	0	0	1,250,000	94,641	560,062	515,019	103,358	1,273,080	
MIG (Conditional)	National	900,000		0	0	900,000	0	900,000	198,946	240,428	221,230	139,753	800,357	
SAVANNA CITY	Donation	471,830		471,830	0	0	0	471,830	0	0	0	0	0	
ENVIRONMENTAL HEALTH	Sedibeng District Council	2,543,414		0	553,982	1,166,333	290,326	2,010,641	553,982	598,099	702,660	670,128	2,524,869	
PROVINCIAL HEALTH	Provincial	9,191,594		0	1,012,631	1,102,189	346,075	2,460,895	1,012,630	1,102,189	1,066,467	1,104,365	4,285,651	
HIV PROGRAMME	Provincial	93,000		0	86,400	0	0	86,400	185,733	24,000	39,328	43,284	292,345	
DSCAR	Provincial	1,900,000		1,900,000	0	0	0	1,900,000	434,327	537,085	488,475	290,637	1,750,524	
SETA	Dept of Labour	445,200		150,729	201,549	235,579	39,777	627,634	8,404	72,159	72,438	101,507	254,508	
EPWWP INCENTIVE	National	536,000		0	182,000	196,000	0	378,000	0	0	0	139,365	139,365	
STANDARD BANK		40,000		40,000	0	0	0	40,000	0	0	0	0	40,000	
		62,549,038	0	23,103,559	16,829,562	14,695,101	676,178	55,304,400	13,609,217	14,415,761	14,344,750	13,698,213	56,067,941	
TOTAL		93,994,038	300,000	29,522,559	29,334,505	26,416,158	1,176,178	86,449,400	13,772,017	21,429,037	21,472,315	30,953,623	87,626,992	